

The Goodyear Tire & Rubber Company of Canada, Limited 1973 Annual Report



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Cover

Almost 2,000 feet down and a mile out under Lake Huron, a 35-ton truck is loaded in the Sifto Salt mine, at Goderich, Ontario. Both the truck and the loader are equipped with Goodyear tires specifically designed for the hard going encountered in mining operations.

To the shareholders of The Goodyear Tire & Rubber Company of Canada, Limited



We are pleased to submit the company's financial statements for the year ended December 31, 1973. Consolidated net sales were \$239,988,000, compared with \$210,765,000 in 1972. This represented an increase of 13.9 per cent and established an all-time record.

Consolidated net income rose to \$9,883,000, up 3.4 per cent from \$9,562,000 in 1972. It was another record in the company's history.

Consolidated net income per outstanding share of common stock was \$3.76, compared with \$3.63 in 1972.

Where appropriate, figures for 1972 have been restated throughout this report to reflect the 10-for-one common stock split of July 1973.

Dividends paid in 1973 were \$.60 per share of common stock, the same as in 1972. Dividends of \$2.00 per share were paid on the 4 per cent preferred stock.

Taxes and duties amounted to \$23,858,000, or \$9.27 per common share, versus \$24,911,000, or \$9.68 per common share in the previous year.

Total compensation paid to employees, together with pension, hospitalization, group insurance and related benefits reached \$78,728,000, up 15.0 per cent from \$68,468,000 in 1972.

Capital expenditures totalled \$16,392,000; depreciation amounted to \$6,078,000.

As can be seen from the preceding figures, the financial performance for the year was characterized by significant sales gains and a moderate increase in income.

The main reason for the modest profit improvement over 1972 was the dramatic increase in the cost of

doing business. Everything cost more in 1973: energy, raw materials, labor, transportation and other services. The general increase in costs was reflected in higher price indices at year-end. Compared with their levels at the end of 1972, consumer prices were up around 9 per cent, industry selling prices were 16 per cent higher and wholesale prices were 26 per cent above 1972.

One of the most important events in 1973 was the start of construction of a radial tire plant of global proportions at Valleyfield. The project was announced by Premier Robert Bourassa of Québec on February 13 and, by year's end, it was well under way.

The company continued to strengthen its marketing organization. To supplement and integrate the existing network of company-owned stores and independent dealers, it launched the Franchised Tire Centres program whereby qualified individuals are encouraged and trained to enter the tire business. At the same time, the search continued for ways to improve our distribution services and make them more responsive to customers' needs.

Two new officers were appointed by the board: Peter G. Mackie, vice-president, materials management, and Robert C. Markham, vice-president, tire sales. Mr. Mackie succeeded S.G. Fearman who retired after 34 years of service, and Mr. Markham replaced D.W. Moriarty who left the company after 24 years to establish his own business.


Looking at the future, we can expect 1974 to be a year of both problems and opportunities. High start-up costs of the new Valleyfield plant, inflation, the scarcity of energy and raw materials, and the un-

certainities of the Canadian economy will pose a tremendous challenge to all of us. On the other hand, there will be some unique opportunities. For example, the energy crisis will stimulate the development of new sources of fuel and power, which will result in the construction of pipe lines, tar sands plants and hydro-electric installations and thus create a substantial demand for tires and other rubber products.

The growth of the company over the last five years has been most encouraging. Assets increased by 30 per cent, sales by 56 per cent, and profits rose significantly. It is perhaps unrealistic to expect to maintain indefinitely these growth rates, but we are determined to hold our position of leadership in the Canadian market.

To reach this objective, we will continue to strive for product excellence, we will use imagination and flexibility, and we will do our utmost to deserve the support of our shareholders and the enthusiastic cooperation of our employees, dealers and distributors. By following these guidelines, we are confident that 1974 will be remembered as another year of significant corporate achievements.

With the approval of the board of directors,



H.G. MacNeill
President and Chief Executive Officer
February 13, 1974

The Goodyear Tire & Rubber Company of Canada, Limited

3050 Lake Shore Blvd. West, Toronto, Ontario M8V 1K4

Sales District Offices

Moncton,
New Brunswick

Québec,
Québec

Montréal,
Québec

Ottawa,
Ontario

North Bay,
Ontario

Toronto,
Ontario (2)

London,
Ontario

Winnipeg,
Manitoba

Saskatoon,
Saskatchewan

Edmonton,
Alberta

Vancouver,
British Columbia

Manufacturing Plants

Bowmanville, Ontario
Industrial Products

Toronto, Ontario (2)
Tires and Tubes; Plastic Films

Saint-Hyacinthe, Québec
Fabrics

Québec, Québec
Molded and Extruded Goods;
Shoe Products

Medicine Hat, Alberta
Tires

Valleyfield, Québec
Tires

Owen Sound, Ontario
Foam Products

Collingwood, Ontario
Hose Products

Board of Directors

H. A. Brundage,
Toronto

C. E. Clarke,
Toronto

P. P. Daigle,
Montréal

R. DeYoung,
Akron

R. A. Jay,
Akron

Louis A.-Lapointe, Q.C.,
Montréal

H. G. MacNeill,
Toronto

J. C. Moon,
Toronto

A. Deane Nesbitt, O.B.E., D.F.C.,
Montréal

Bruce M. Robertson,
Akron

Officers

H. G. MacNeill
President and Chief Executive Officer

H. A. Brundage
Vice-President, Finance

C. E. Clarke
Vice-President and General Counsel

L. F. Huhta
Vice-President, Tire Production

P. G. Mackie
Vice-President, Materials Management

R. C. Markham
Vice-President, Tire Sales

J. C. Moon
Vice-President, Personnel

H. M. Wells
Vice-President, General Products

G. D. Gordon
Secretary

F. J. Kitchen
Comptroller

B. R. Telfer
Treasurer

G. E. Bennett
Assistant Comptroller

W. R. Hayward
Assistant Comptroller

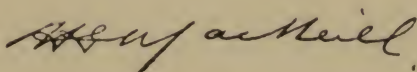
More than 3,300 tons of structural steel form the framework of the Valleyfield plant addition, which will provide facilities for the manufacture of steel-belted radial tires. The expansion is scheduled for completion in 1975.



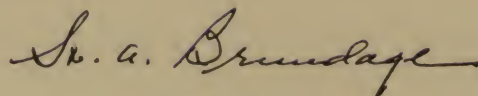
Consolidated Balance Sheet*Dollars in thousands*

	December 31	
Assets	1973	1972
Current Assets:		
Cash	\$ 1,106	\$ 897
Accounts receivable	45,026	34,710
Due from affiliated companies	2,515	4,461
Inventories at lower of cost or market:		
Raw materials	10,215	7,636
Work in process	4,089	3,290
Finished product	33,360	30,592
	<u>47,664</u>	<u>41,518</u>
Prepaid expenses	3,752	3,295
Total Current Assets	<u>100,063</u>	<u>84,881</u>
 Miscellaneous Investments		
at cost less allowances	1,203	1,141
 Properties and Plants, at cost:		
Land and improvements	3,111	3,896
Buildings	30,883	29,658
Machinery and equipment	104,722	100,701
Construction in progress	10,134	2,733
	<u>148,850</u>	<u>136,988</u>
Less: Depreciation	89,008	85,205
	<u>59,842</u>	<u>51,783</u>
	<u><u>\$161,108</u></u>	<u><u>\$ 137,805</u></u>

Approved on behalf of the Board:



Director



Director

Liabilities

December 31

	1973	1972
Current Liabilities:		
Bank indebtedness	\$ 9,016	\$ 3,703
Loan from parent company	—	10,005
Accounts payable and accrued liabilities	19,757	19,822
Due to affiliated companies	3,569	3,145
Income and other taxes payable	2,035	6,358
Dividend payable on preferred shares	53	56
Total Current Liabilities	34,430	43,089
Long Term Debt:		
Bank loans due 1975 under revolving credit agreements	38,099	15,425
Deferred Income Taxes	9,771	8,190
Deferred Income	764	869

Shareholders' Equity

Capital Stock:

4% cumulative redeemable sinking fund preferred shares
(par value \$50 per share; redeemable on call
at \$53 per share):

Authorized, issued and outstanding, 1973—106,045 shares; 1972—112,316 shares	5,302	5,616
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Common shares, no par value:

* Authorized, 2,906,600 shares; issued and outstanding, 2,572,600 shares	129	129
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Capital Surplus	692	692
Retained Earnings	71,921	63,795
	78,044	70,232
	\$161,108	\$ 137,805

* Adjusted to reflect 10 for 1 split in 1973

Consolidated Income Statement*Dollars in thousands, except per share*

	Year ended December 31	
	1973	1972
Net sales	\$239,988	\$ 210,765
Income from investments	96	74
	<u>240,084</u>	<u>210,839</u>
Deduct:		
Costs and expenses	214,639	185,115
Interest expense on long term debt	2,371	1,737
Depreciation	6,078	6,305
Income taxes:		
Current	5,359	6,901
Deferred	1,754	1,219
	<u>230,201</u>	<u>201,277</u>
Net income for the year	<u>\$ 9,883</u>	<u>\$ 9,562</u>
Net income per common share	<u>\$ 3.76</u>	<u>\$ 3.63*</u>

*1972 adjusted to reflect 10 for 1 split in 1973

Consolidated Retained Earnings Statement*Dollars in thousands*

	Year ended December 31	
	1973	1972
Balance at beginning of year	\$ 63,795	\$ 56,003
Net income for the year	9,883	9,562
	<u>73,678</u>	<u>65,565</u>
Deduct:		
Dividends:		
On common shares	1,544	1,544
On 4% preferred shares	213	226
	<u>1,757</u>	<u>1,770</u>
Balance at end of year	<u>\$ 71,921</u>	<u>\$ 63,795</u>

Notes to Consolidated Financial Statements

1. Certain store and warehouse properties are leased at minimum annual rentals which total \$2,320,000 for 1974. Most of the leases may be renewed by the company on expiry.
2. The company's unfunded obligation for pension benefits arising from service prior to December 31, 1973 is estimated to be \$21,500,000. This obligation has not been provided for in the accounts. Since 1958 the company has been funding past service obligations by the payment of annual instalments which are charged against operations and proposes to continue this practice through 1989.
3. Remuneration to directors and senior officers of the company in 1973 amounted to \$385,000 (1972-\$332,000).

Consolidated Statement of Funds

Dollars in thousands

	Year ended December 31	
	1973	1972
Source of Funds:		
Net income for the year	\$ 9,883	\$ 9,562
Expenses not requiring a current outlay of funds—principally depreciation and deferred income taxes	7,554	7,120
Total from operations	17,437	16,682
Long term debt	22,674	—
Property disposals	2,255	188
	42,366	16,870
Application of Funds:		
Expenditures for properties and plants	16,392	12,350
Long term debt	—	8,000
Dividends	1,757	1,770
Preferred shares redeemed	314	327
Investments	62	487
	18,525	22,934
Increase (decrease) in working capital	\$ 23,841	\$ (6,064)

Auditors' Report

To the Shareholders of The Goodyear Tire & Rubber Company of Canada, Limited:

We have examined the consolidated balance sheet of The Goodyear Tire & Rubber Company of Canada, Limited and its subsidiary companies as at December 31, 1973 and the consolidated statements of income, retained earnings and funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants

Toronto, January 25, 1974

Comparison with prior years*Dollars in thousands, except per share*

	1973	1972	1971	1970	1969
Net sales	\$239,988	\$210,765	\$185,361	\$175,619	\$175,841
Net income	9,883	9,562	7,753	3,291	1,232
Net income per dollar of sales	4.1¢	4.5¢	4.2¢	1.9¢	.7¢
Taxes and duties	\$ 23,858	\$ 24,911	\$ 21,097	\$ 15,731	\$ 13,866
Depreciation	\$ 6,078	\$ 6,305	\$ 7,040	\$ 7,339	\$ 6,820
Capital expenditures	16,392	12,350	4,272	6,329	12,945
Properties and plants — Net	59,842	51,783	45,926	49,093	50,483
Per Share of Common Stock:					
*Net income	\$ 3.76	\$ 3.63	\$ 2.92	\$ 1.19	\$.38
*Book value	28.57	25.46	22.53	20.04	18.99
*Taxes and duties	9.27	9.68	8.20	6.11	5.39
Employee compensation	\$ 78,728	\$ 68,468	\$ 56,945	\$ 56,598	\$ 56,292
*Common shares outstanding	2,572,600	2,572,600	2,572,600	2,572,600	2,572,600

*Adjusted to reflect 10 for 1 split in 1973

Goodyear People

Goodyear has always held the view that people are its most important asset.

Nowhere is this more apparent than in Canada, where many employees distinguish themselves in community service as well as in their contribution to the progress of the company. Two winners of the Goodyear Spirit Award, made to employees for outstanding contributions to the company and the community, are good examples. Fred Moore, who retired after 50 years of service, and Ron Garell, who served 45 years with the company before retiring, demanded the utmost of themselves on and off the job.

Both men have decades of youth work and other community activities behind them, but they are not resting on their laurels. Moore heads up the Red Cross branch in his municipality, and Garell is president-elect of the local Lions Club.

The Goodyear Tire & Rubber Company of Canada, Limited prides itself on the number of its long-term employees. At the end of 1973, active employees with more than 20 years of service numbered 1,030. Of these, 52 had been with the company more than 35 years, and 240 had between 30 and 35 years of service.



Fred Moore's 50-year service pin draws the admiration of grandchildren.



Ron Garell has been awarded a number of plaques for community service.

Tire Division



Goodyear tires play a big part in agriculture in Canada. Here a Massey-Ferguson tractor and disc-unit are put through their paces at the M-F 640-acre farm, near Toronto.



X-ray inspection at Toronto plant tells the inside story of a steel radial tire.

In 1973, three Goodyear steel-belted radial tires made their appearance on the Canadian scene: the Custom Steelgard Radial, the Custom Wide Tread Steel Belt Radial and the Custom Cushion Steel Belt Radial. In addition, the company increased production of the G-800 tire, Canada's first fabric radial, manufactured at the Toronto plant since 1966.

To prepare for the growing demand and reassert its leadership in a changing market, Goodyear announced an expansion of its Valleyfield plant to produce steel-belted radial passenger and truck tires. The \$56 million project, to be completed in 1975, represents the largest single investment in the company's 62-year history.

The company also designed and produced the Deluxe All Weather Nylon 78-Series tire, a bias-ply replacement car tire, and introduced the Rally GT 60-Series, a popularly priced extra wide, high-performance passenger tire. Nineteen seventy-three saw substantial growth in replacement truck tire sales and increased participation in the farm tire market.

Custom tailoring of tires for specific off-the-road jobs was extended to include vehicles for logging operations, which resulted in dramatic gains in product performance. Passenger tire production was increased at the Toronto and Medicine Hat plants. Earthmover tire production at the Valleyfield plant also increased.

The company's textile plant at Saint-Hyacinthe started to weave steel-wire, thus assuring a domestic supply of this popular cord.

Tire design improvements contributed substantially to holding down factory costs, despite the rapidly escalating prices of some raw materials.



Equipped with Goodyear tires, 100-ton trucks are loaded with asbestos ore at the bottom of the 950-foot deep Canadian Johns-Manville open-pit mine at Asbestos, Québec. Some 35 per cent of the world's asbestos comes from Canada.

General Products Division



A blast of finely ground walnut shells removes foam stuck to seat cushion mold at Owen Sound plant. Anything harder than walnut shells might pit aluminum molds and affect the appearance of the finished product.

In 1973, hose again led the General Products Division in production and sales. The \$1.5 million addition to the Collingwood plant, begun in 1972, was completed, and a second expansion, designed to increase production of wire-braided hose, was started. It is scheduled for completion by early 1975.

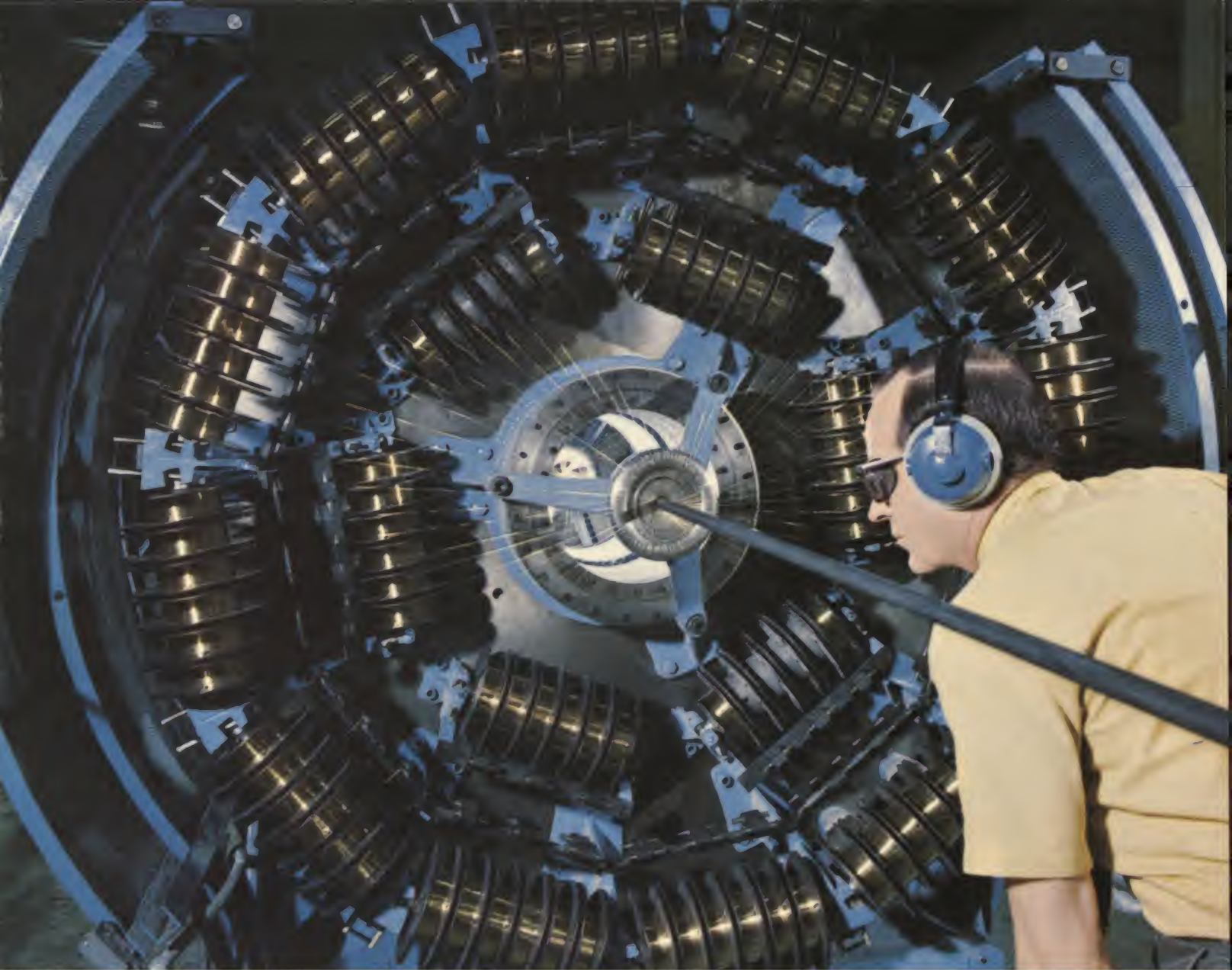
Other lines showing sales increases were power transmission and conveyor belts, plastic films, automotive replacement products, and molded and extruded rubber parts.

Sales of shoe products registered a further decline in the face of continued severe competition.

Foam products sales were down slightly from 1972, because of the growing popularity of the high-resiliency cold foam for seat cushions – as opposed to the hot foam manufactured in the Owen Sound plant – and the continuing trend by automotive manufacturers to make their own foam products.

The first Goodyear Speedwalk people-conveyor system ever installed in Canada was completed and became operational at Toronto International Airport.

The Bowmanville plant established several monthly records in sales and production of conveyor belts, a product line expected to continue in strong demand. Production of some types of V-belts had to be curtailed because of raw material shortages. At the Québec plant, the manufacture of asbestos sheet packing was discontinued. Additional machinery was installed to increase production of injection-molded products and automotive weather stripping.



Spiral winder reinforces high-pressure hydraulic hose with brass-coated steel wire at the recently expanded Collingwood plant.



A two-way Goodyear Speedwalk people-conveyor system, the longest combined moving walkway in Canada, can move up to 10,000 persons an hour between Terminal 1 and the new Terminal 2 at Toronto International Airport.

Goodyear Pictorial



Closed circuit TV is used to control traffic and monitor loading dock area at the company's huge distribution centre in Montréal.



Goodyear dunnage bags are positioned and inflated in boxcar at Canadian Johns-Manville mine at Asbestos, Québec, to prevent 55 tons of packaged asbestos fibre from shifting in transit.



Calgary was selected as a test market for the retail sale of Goodyear's own brand of gasolines. Several Go Centres across Canada already sell brand-name gas.



In 1973, Ginette Lafrance became the company's first field sales-woman. Her product is plastic films and her territory is all of Québec.



GOODYEAR